

MONTANA PETROLEUM ASSOCIATION INC.

Energy & Telecommunications Committee Meeting
January 19, 2006

Exhibit #23



MONTANA PETROLEUM ASSOCIATION, INC.

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Executive Director

November 15, 2005

OFFICERS

Cole Chandler, President
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Mr. Casey Barrs, Legislative Researcher
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Subject: Energy Planning and Coordinating Entity

Dear Mr. Barrs:

The Montana Petroleum Association (MPA) appreciates your efforts to define the parameters of some type of energy planning and coordination entity as outlined in SJR 39. Surely energy will be the topic of many discussions in the future and Montana will have a vital role in our nation's energy needs. We have reviewed SJR 39 and your survey. Rather than respond directly to your survey we felt our opinions could be more appropriately expressed in a letter. It is my understanding that your survey is focused more on the exploration and production (upstream) segment of the oil and gas industry as opposed to the refining and distribution segment (downstream). My comments address upstream concerns.

We understand the intent that drove SJR 39 in the last legislative session and Montana's oil and gas industry was not the primary driver. MPA believes that the oil and gas industry is already regulated appropriately. The Montana board of Oil and Gas Conservation is statutorily charged with regulating Montana's oil and gas industry. The seven member board consists of person's who have experience in the industry; and who understand landowner and legal issues. The board's regulatory action serve three primary purposes: (1) to prevent waste of oil & gas resources, (2) to conserve oil & gas by encouraging maximum efficient recovery of the resource, and (3) to protect the correlative rights of the mineral owners, i.e., the right of each owner to recover its fair share of the oil & gas underlying its lands. The board also seeks to prevent oil and gas operations from harming nearby land or underground resources. It accomplishes these goals by establishing spacing units, issuing drilling permits, administering bonds (required to guarantee the eventual proper plugging of wells and restoration of the surface), classifying wells, and adopting rules. MBOGC also repairs old, abandoned, problem wells. Furthermore, the Public Service Commission is another agency who is responsible for regulation of pipeline facilities that move oil and gas in and through Montana.

Frankly, MPA does not see the benefit in another government entity that would coordinate or plan for the oil and gas industry. While such endeavors may have benefit for other energy producers, we do not see the benefit for our industry. Such an effort would face significant challenges in our industry. Of a major concern, how would you plan for and coordinate an oil and gas


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exploration program in an industry that is already highly successful and competitive? Would such an entity assume the risk of private companies? Would such an entity assume responsibilities now under the jurisdiction of the Board of Land Commissioners? How would such an entity work with existing Federal agencies working with energy and federal lands?

The Montana Petroleum Association believes that the myriad of governmental entities that currently regulate all segments of our industry are more than sufficient. MPA was hesitant to fill out the survey because the questions did not leave us the flexibility to adequately explain our concerns. We hope this response is satisfactory. Additionally, we have sent your survey to our membership and anticipate a response back directly to you. MPA asks that you give consideration to their comments even if those comments are sent past your due date. We ask your understanding and consideration.

Casey, thanks for this opportunity to comment. If you would like to discuss in detail, please do not hesitate to contact me at 442-7582.

Kind Regards:

A handwritten signature in black ink, appearing to read 'D. Galt', with a long horizontal flourish extending to the right.

David A. Galt
Executive Director
Montana Petroleum Association